

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR ETRD EEC

SUBJECT: THE VEGETABLE OIL TAX AND THE PROPOSED EC REGULATION ON THE
EXCLUSIVE USE OF DAIRY FATS AND PROTEINS

REF: (A) STATE 170962, (B) EC BRUSSELS 11257, (C) EC BRUSSELS
11540, (D) 75 EC A-457, (E) EC BRUSSELS 10006, (F) EC BRUSSELS
11775

1. SUMMARY: THERE APPEARS TO BE SOME POSSIBILITY OF COUNCIL
ACTION ON THE DAIRY REFORM PACKAGE AT THE DECEMBER 20-21 MEETING.
CONSEQUENTLY, THE MISSION RECOMMENDS THAT MEMBER STATE GOVERN-
MENTS BE REMINDED OF US OPPOSITION TO THE PROPOSED FATS AND
OILS TAX. AT THE SAME TIME, THESE GOVERNMENTS SHOULD BE
ADVISED OF OUR CONCERN WITH THE COMMISSIONS'S PROPOSAL REQUIRING
THE EXCLUSIVE USE OF MILK FATS AND PROTEINS IN CERTAIN DAIRY
PRODUCTS. THIS PROPOSAL, ORIGINALLY SUBMITTED IN 1975, IS
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HOW BEING TREATED AS PART OF THE DAIRY REFORM PACKAGE. END SUMMARY

2. FATS AND OILS TAX. RECENT DISCUSSIONS WITH COMMISSION OFFICIALS AND PERMDELS SUGGEST THAT THERE IS A POSSIBILITY THAT THE COUNCIL OF AGRICULTURAL MINISTERS MAY TAKE ACTION ON THE COMMISSION'S DAIRY REFORM PACKAGE. WE DO NOT REGARD THIS POSSIBILITY AS BEING VERY STRONG. FURTHERMORE, WE FEEL THAT OPPOSITION TO THE PROPOSED FATS AND OILS TAX IS SO STRONG AS TO PRECLUDE ITS ADOPTION EVEN IF DECISIONS WERE REACHED ON OTHER ELEMENTS OF THE DAIRY PACKAGE. NONETHELESS, AS A PRECAUTIONARY MEASURE, THE MISSION FEELS THAT, PRIOR TO THE DECEMBER 20-21 MEETING, IT WOULD BE APPROPRIATE FOR MEMBER STATE POSTS TO REMIND THEIR HOST GOVERNMENTS OF THE EXTREME SERIOUSNESS WITH WHICH WE VIEW THIS PROPOSAL, DRAWING ON THE POINTS IN REF A.

3. EXCLUSIVE USE. AS WE HAVE NOTED IN SEVERAL RECENT COMMUNICATIONS (REFS B AND C), A 1975 COMMISSION PROPOSAL REQUIRING THE EXCLUSIVE USE OF MILK FATS AND PROTEINS IN CERTAIN DAIRY PRODUCTS IS NOW BEING TREATED AS PART OF THE COMMISSION'S DAIRY REFORM PACKAGE. THIS PROPOSAL WOULD PROHIBIT THE MARKETING OR USE IN MANUFACTURE OF CERTAIN SPECIFIED DAIRY PRODUCTS IF THEY CONTAIN NON-MILK FATS OR PROTEINS. THE POSSIBILITY OF LEGISLATING EXCLUSIVE USE OF DAIRY FATS AND PROTEINS HAS BEEN UNDER CONSIDERATION IN THE COMMUNITY FOR SOME TIME. THE REGULATION NOW UNDER DISCUSSION WAS ORIGINALLY PROPOSED BY THE COMMISSION IN JULY 1975 AND WAS REPORTED IN REFS D AND E. IT HAS NOT SINCE BEEN MODIFIED.

4. OUR DISCUSSIONS WITH THE PERMDELS AND THE COMMISSION INDICATE THAT THERE IS STRONG OPPOSITION TO THIS PROPOSAL, BASICALLY ON THE PART OF THOSE COUNTRIES WHICH OPPOSE THE FATS AND OILS TAX (UK, DENMARK, THE NETHERLANDS). HOWEVER, GERMANY IS SAID TO BE SUPPORTING THE PROPOSED REGULATION (IN CONSEQUENCE OF ITS ENTHUSIASM FOR PURE FOOD LAWS). IN FACT, THE GERMANS AND IRISH HAVE ASKED THAT ICE CREAM BE ADDED TO THE LIST OF DAIRY PRODUCTS COVERED BY THE REGULATION. THE UK HAS SHOWED THE STRONGEST OPPOSITION TO THIS PROPOSAL, REGARDING IT AS AN INFRINGEMENT OF CONSUMER RIGHTS. ACCORDING TO THE UK PERMDEL, THEY ARE SEEKING TO CHANGE THE THRUST OF THE REGULATION TO LABELLING RATHER THAN ABSOLUTE PROHIBITION. LIMITED OFFICIAL USE

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THE UK PERMDEL FURTHER ADVISES THAT A GREAT DEAL OF TECHNICAL WORK NEEDS TO BE DONE ON THE PROPOSAL BEFORE ANY DECISION CAN BE REACHED.

5. NATIONAL LAWS GOVERNING THE USE OF NON-MILK FATS OR PROTEINS IN DAIRY PRODUCTS VARY GREATLY IN EACH MEMBER STATE. UK AND DANISH LAWS ARE APPARENTLY THE MOST LIBERAL IN THIS RESPECT. IT IS THUS DIFFICULT TO ASSESS THE EXTENT TO WHICH THE ADOPTION

OF AN EC-WIDE REGULATION WOULD ADVERSELY AFFECT MARKET OPPORTUNITIES FOR VEGETABLE OILS AND OTHER OILSEED PRODUCTS. A FEDIOL (EC OIL SEED CRUSHERS FEDERATION) OFFICIAL ESTIMATES THAT UK USE OF VEGETABLE OIL IN DAIRY-TYPE PRODUCTS RUNS ABOUT 20,000 - 30,000 TONS A YEAR.

6. RECOMMENDATION: WHILE THERE IS STRONG OPPOSITION TO THE COMMISSION'S OILS TAX AND EXCLUSIVE USE PROPOSALS, IT IS POSSIBLE THAT AT LEAST THE LATTER MIGHT BE APPROVED IN SOME FORM AS PART OF THE DAIRY REFORM PACKAGE. THE MISSION RECOMMENDS THAT WASHINGTON INSTRUCT POSTS TO REMIND MEMBER STATES OF OUR OPPOSITION TO THE OILS TAX AND AT THE SAME TIME MENTION CONCERN ABOUT THE EXCLUSIVE USE PROPOSAL. (OUR MOST SERIOUS PROBLEM WOULD, OF COURSE, BE WITH THE OILS TAX, AND IN CONVERSATION WITH MEMBER STATES, STRESS SHOULD BE PRINCIPALLY ON IT, EVEN THOUGH ITS CHANCES ARE NOW POOR.) WE RECOMMEND THAT ANY APPROACH TO MEMBER STATES BE AT LEAST 10 DAYS IN ADVANCE OF THE COUNCIL. THE MISSION ALSO SUGGESTS THAT MEMBER STATE POSTS GIVE A QUICK READING ON THE POSSIBLE TRADE EFFECTS OF THE EC EXCLUSIVE USE PROPOSAL IN THEIR COUNTRIES.

7. THE MISSION ANTICIPATES THAT THE ALCOHOL CAP RECENTLY PROPOSED BY THE COMMISSION (REF F), AND WHICH MAY BE INCLUDED ON THE AGENDA OF THE DECEMBER 20-21 AGRICULTURAL COUNCIL, WILL ALSO REQUIRE A STATEMENT OF US CONCERN TO THE MEMBER STATES. WE EXPECT TO RECEIVE AND REPORT ON THE COMMISSION PROPOSAL EARLY NEXT WEEK. WASHINGTON MAY WISH TO INSTRUCT MEMBER STATE POSTS TO MAKE REPRESENTATION ON ALL THREE ISSUES CONCURRENTLY. HINTON

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